

**CLARINDA
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2005

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CLARINDA COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2004 Election)

Dale Fulk	President	2006
Scott McComb	Vice President	2004
Seth Watkins		2005
Larry Scherf		2005
Dian Grimes-Hughes		2006

(After September, 2004 Election)

Dale Fulk	President	2006
Scott McComb	Vice President	2007
Seth Watkins		2005
Larry Scherf		2005
Dian Grimes-Hughes		2006

SCHOOL OFFICIALS

Paul Honnold	Superintendent
Cindy Van Fossen	District Secretary/ Treasurer

Independent Auditor's Report

To the Board of Education of the
Clarinda Community School District:

We have audited the accompanying financial statements of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of Clarinda Community School District, Clarinda, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clarinda Community School District as of June 30, 2005 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2005 on our consideration of Clarinda Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clarinda Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2004 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 9, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BRUCE D. FRINK
Certified Public Accountant

August 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

CLARINDA COMMUNITY SCHOOL DISTRICT

Clarinda Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

2005 FINANCIAL HIGHLIGHTS

- ! General Fund revenues increased from \$7,543,564 in fiscal 2004 to \$7,981,304 in fiscal 2005, while General Fund expenditures increased from \$7,594,445 in fiscal year 2004 to \$8,009,360 in fiscal 2005.
- ! The increase in General Fund revenues was primarily attributable to an increase in tuition and state aid as a result of a change in how student attending the Clarinda Youth Academy are accounted for. Some of those students are now included in the enrollment of the District and are responsible for increases in both revenues and expenses. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and special education expenditures. The unreserved General Fund balance decreased by just over 2 percent. Increases in salary above allowable growth was primarily responsible.
- ! The District continued its 28E sharing agreement with New Market Community School District. New Market tuitions its students in grades 9-12 to Clarinda.
- ! The School Infrastructure Local Option Sales Tax continues to be collected. It currently is being used for the retirement of long-term debt.
- ! The District called \$3,940,000 of general obligation bonds. This was paid for with \$790,000 of existing SILO Tax funds and \$3,150,000 of new general obligation bonds that have rates of 1.575 to 1.900 percent lower than the original issue.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- ! The first two statements are *government-wide financial statements* that provide both *short-term* and *long-term* information about the District's overall financial status.
- ! The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations *in more detail* than the government-wide statements.
- ! The statements for *governmental funds* explain how basic services, such as regular and special education, were financed in the *short term*, as well as, what remains for future spending.
- ! The statement for *proprietary funds* offer *short-term* and *long-term* financial information about the activities the District operates *like businesses*, such as food services and community education.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Clarinda Community School District

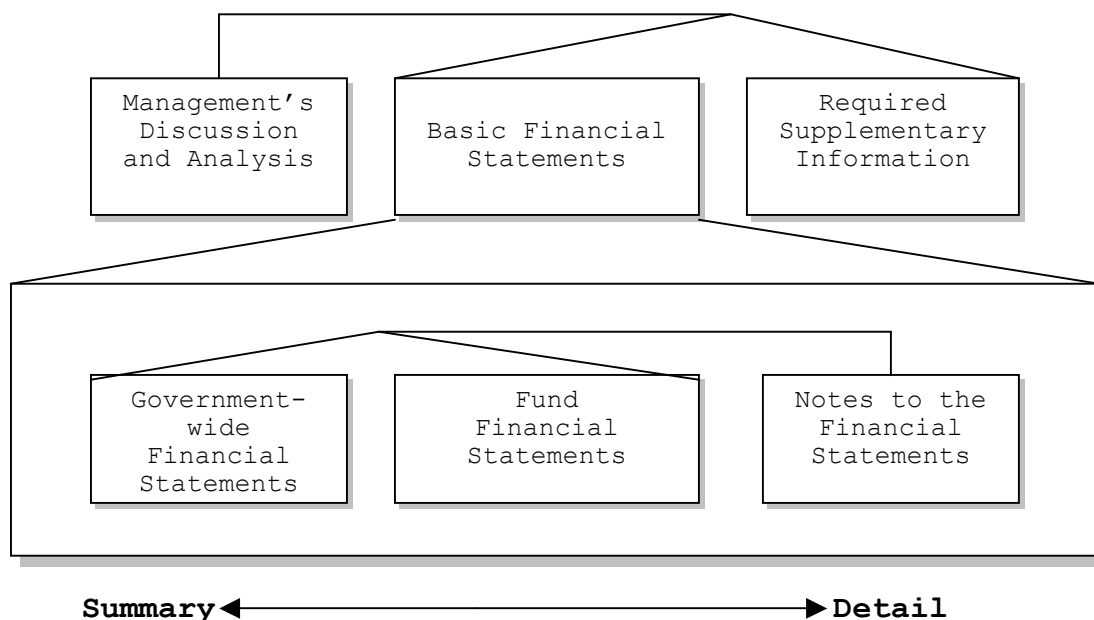


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain the remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2 Major Features of the Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district	The activities of the district that are not proprietary, such as special education and building maintenance	Activities the district operates similar to private businesses, such as food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures, and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in net assets . Statement of cash flows	. Statement of fiduciary net assets . Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The two government-wide statements report the District's *net assets* and how they have changed. Net assets - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- ! Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- ! To assess the District's overall health, you need to consider additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- ! *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- ! *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and community education programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- ! Some funds are required by state law and by bond covenants.
- ! The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how much cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them. The District's governmental funds include the General Fund, Special Revenue Funds, and Debt Service Fund.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Community Education Fund.

- 3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others.

Private-Purpose Trust Funds - These are funds donated to the District to be used for specific purposes, such as scholarships.

Agency Funds - These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other Districts and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Financial Analysis of the District as a Whole

Net assets - Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2005 compared to 2004.

Figure A-3
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental		Business-type		Total		Percentage
	Activities		Activities		School District		Change
	2005	2004	2005	2004	2005	2004	2004-05
	\$	\$	\$	\$	\$	\$	
Current assets	5,320	6,391	158	130	5,478	6,521	-15.99%
Capital assets	8,807	8,780	42	47	8,849	8,827	0.25%
Total assets	14,127	15,171	200	177	14,327	15,348	-6.65%
Current liabilities	3,512	3,616	20	20	3,532	3,636	-2.86%
Non-current liabilities	3,515	4,755	-	-	3,515	4,755	-26.08%
Total liabilities	7,027	8,371	20	20	7,047	8,391	-16.02%
Net Assets							
Invested in capital assets, net of related debt	4,842	3,675	42	47	4,884	3,722	31.22%
Restricted	792	1,737	-	-	792	1,737	-54.40%
Unrestricted	1,466	1,388	138	110	1,604	1,498	7.08%
Total net assets	7,100	6,800	180	157	7,280	6,957	4.64%

The District's combined net assets were greater at June 30, 2005 than June 30, 2004. The increase occurred primarily as a result of using current revenues for capital expenditures that will be depreciated over future years.

Figure A-4 shows the changes in net assets for the year ended June 30, 2005.

Figure A-4
Change in Net Assets
(expressed in thousands)

	Governmental Activities \$	Business-type Activities \$	Total School District \$
Revenues:			
Program revenues:			
Charges for service and sales	1,296	221	1,517
Operating grants, contributions and restricted interest	1,430	210	1,640
General revenues:			
Property tax	2,600	-	2,600
Income surtax	240	-	240
Local option sales tax	412	-	412
Unrestricted state grants	3,335	-	3,335
Unrestricted investment earnings	26	-	26
Other	56	-	56
Total revenues	9,395	431	9,826
Program expenses:			
Governmental activities:			
Instruction	5,965	-	5,965
Support Services	2,123	-	2,123
Non-instructional programs	-	408	408
Other expenses	1,008	-	1,008
Total expenses	9,096	408	9,504
Change in net assets	299	23	322

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 85% of the total expenses.

GOVERNMENTAL ACTIVITIES

Revenues for governmental activities were \$9,395,368 and expenses were \$9,095,889. Spending current revenues to purchase over \$575,000 of capital assets accounted for the majority of the increase in net assets.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses.

Figure A-5		
Total and Net Cost of Governmental Activities		
(expressed in thousands)		
	Total Cost of Services	Net Cost of Services
	\$	\$
Instruction	5,965	3,663
Support Services	2,123	1,984
Other expenditures	<u>1,008</u>	<u>723</u>
Totals	<u>9,096</u>	<u>6,370</u>

! The cost financed by users of the District's programs was \$1,295,804.

! Federal and state governments subsidized certain programs with grants and contributions totaling \$1,126,599.

! The net cost of governmental activities was financed with \$2,599,446 in property tax, \$3,334,823 in state foundation aid, and \$26,434 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$430,571 and expenses were \$407,510. The District's business-type activities include the School Nutrition and Cardinals Kids Zone Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

Financial Analysis of the District's Funds

As previously noted the Clarinda Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$7,099,768, four percent above last year's ending fund balances of \$6,800,289.

This was primarily due to the use of current revenues to purchase capital assets that will be expensed over the useful lives of the assets.

Governmental Fund Highlights

! The District attempted to maintain its General Fund balance by cutting expenses from portions of the budget that werenot already obligated, such as supplies and maintenance items.

! The District used \$790,000 of sales tax revenues to pay off principal on general obligation bonds prior to their original due date. It also issued new debt at significantly lower interest rates to pay off existing debt.

Proprietary Fund Highlights

The Nutrition Fund increased due to increased revenues while holding salary costs steady. The District has attempted to maintain prices at a reasonable level.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Project, Enterprise and Special Revenue Funds are not presented in the budgetary comparison on pages 31 thru 33.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$183,000 more than the total budgeted receipts. The most significant change resulted in the District receiving more in tuition and miscellaneous revenues than originally anticipated. This offset the decrease in state funding.

Total expenditures were over \$1 million less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District did not exceed the amounts budgeted in total or any of the four functions. The District also did not exceed the General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2005, the District has invested more than \$13,500,000 in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$465,000.

Figure A-6
Condensed Statement of Net Assets
(expressed in thousands)

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2005	2004	2005	2004	2005	2004	2004-2005
	\$	\$	\$	\$	\$	\$	
Land	116	116	-	-	116	116	0.00%
Land improvements	972	704	-	-	972	704	38.07%
Buildings	7,257	7,332	-	-	7,257	7,332	-1.02%
Furniture and equipment	462	628	42	47	504	675	-25.33%
Totals	8,807	8,780	42	47	8,849	8,827	0.25%

Long - Term Debt

The District has \$815,000 of revenue bonds that will fully mature in 2011. The interest rates on this debt ranges from 4.40% to 4.80%. Payments will be made from proceeds of the school infrastructure and local option sales and services tax.

The District issued \$3,150,000 of general obligation bonds in 2005. These funds plus \$790,000 of sales tax revenues were used to retire the existing general obligation bonds. The new bonds will fully mature in 2011, more than five years earlier than the original issue. The interest rates on the new bonds are more than 1.5% less than on the old debt. The District may repay principal on the new debt whenever it desires.

Figure A-7
Outstanding Long-Term Obligations
(expressed in thousands)

	Total		Total
	District		Change
	June 30,		June 30,
	2005	2004	2004-2005
	\$	\$	
General obligation bonds	3,150	4,195	-24.91%
Revenue bonds	<u>815</u>	<u>910</u>	<u>-10.44%</u>
Total	<u><u>3,965</u></u>	<u><u>5,105</u></u>	<u><u>-22.33%</u></u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- ! The District's enrollment decreased slightly from fiscal year 2004. Future enrollment trends are uncertain. Open enrollment in students from other districts increased by 28 students, however these are uncertain funds in future years.
- ! Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- ! Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- ! Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- ! The District maintains an agreement with Clarinda Youth Academy to administer some of their educational programs. Continuation of this agreement will continue to assist the District.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Paul Honnold, Superintendent, Clarinda Community School District, 423 E Nodaway, Clarinda, IA 51632.

Basic Financial Statements

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2005

	Governmental Activities	Business-Type Activities	Total
	\$	\$	\$
Assets			
Cash and pooled investments	2,189,645	138,753	2,328,398
Receivables:			
Property tax:			
Current year	39,305	-	39,305
Succeeding year	2,594,278	-	2,594,278
Income surtax	118,000	-	118,000
Due from other governments	188,532	-	188,532
Other receivables	190,053	-	190,053
Inventories	-	18,891	18,891
Capital assets, net of accumulated depreciation (note 3)	8,807,177	42,073	8,849,250
Total assets	<u>14,126,990</u>	<u>199,717</u>	<u>14,326,707</u>
Liabilities			
Accounts payable	389,726	-	389,726
Accrued salary and benefits	42,366	19,526	61,892
Accrued interest payable	35,852	-	35,852
Deferred revenue:			
Succeeding year property tax	2,594,278	-	2,594,278
Long term liabilities:			
Portion due within one year:			
General obligation bonds (note 4)	350,000	-	350,000
Revenue bonds (note 9)	100,000	-	100,000
Portion due after one year:			
General obligation bonds (note 4)	2,800,000	-	2,800,000
Revenue bonds (note 9)	715,000	-	715,000
Total liabilities	<u>7,027,222</u>	<u>19,526</u>	<u>7,046,748</u>
Net assets			
Invested in capital assets, net of related debt	4,842,177	42,073	4,884,250
Restricted for:			
Management fund	138,943	-	138,943
Debt service	64,400	-	64,400
Physical plant and equipment levy	362,669	-	362,669
Capital projects	225,889	-	225,889
Unrestricted	1,465,690	138,118	1,603,808
Total net assets	<u>7,099,768</u>	<u>180,191</u>	<u>7,279,959</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

Functions/Programs
Governmental activities:

Instruction:

Regular instruction	3,646,200	397,740	333,141	(2,915,319)	-	(2,915,319)
Special instruction	1,613,430	814,060	502,485	(296,885)	-	(296,885)
Other instruction	705,117	-	254,468	(450,649)	-	(450,649)
	<u>5,964,747</u>	<u>1,211,800</u>	<u>1,090,094</u>	<u>(3,662,853)</u>	<u>-</u>	<u>(3,662,853)</u>

Support services:

Student services	314,785	-	5,174	(309,611)	-	(309,611)
Instructional staff services	61,141	-	-	(61,141)	-	(61,141)
Administration services	722,024	83,976	-	(638,048)	-	(638,048)
Operation and maintenance of plant services	717,553	-	27,534	(690,019)	-	(690,019)
Transportation services	308,050	28	23,108	(284,914)	-	(284,914)
	<u>2,123,553</u>	<u>84,004</u>	<u>55,816</u>	<u>(1,983,733)</u>	<u>-</u>	<u>(1,983,733)</u>

Other expenditures:

Interest on long-term debt	281,961	-	-	(281,961)	-	(281,961)
Long-term debt services	38,004	-	15,027	(22,977)	-	(22,977)
AEA flowthrough	269,609	-	269,609	-	-	-
Loss on disposal of fixed assets	92,941	-	-	(92,941)	-	(92,941)
Depreciation (unallocated)*	325,074	-	-	(325,074)	-	(325,074)
	<u>1,007,589</u>	<u>-</u>	<u>284,636</u>	<u>(722,953)</u>	<u>-</u>	<u>(722,953)</u>

Total governmental activities	9,095,889	1,295,804	1,430,546	(6,369,539)	-	(6,369,539)
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CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2005

	Program Revenues				
		Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Expenses	Charges for Service				
\$	\$	\$	\$	\$	\$
Business-Type activities:					
Non-instructional programs:					
Food service operations	405,172	218,716	208,811	-	22,355
Community service and education	2,338	2,338	706	-	706
	407,510	221,054	209,517	-	23,061
Total	9,503,399	1,516,858	1,640,063	(6,369,539)	23,061
General revenues:					
Property tax levied for:					
General purposes			1,990,407	-	1,990,407
Management fund			69,729	-	69,729
Capital outlay			57,681	-	57,681
Debt service			481,629	-	481,629
Income surtax			240,239	-	240,239
Local option sales tax			411,970	-	411,970
Unrestricted state grants			3,334,823	-	3,334,823
Unrestricted investment earnings			26,434	-	26,434
Other			56,106	-	56,106
Total general revenue			6,669,018	-	6,669,018
Change in net assets			299,479	23,061	322,540
Net assets beginning of year			6,800,289	157,130	6,957,419
Net assets end of year			7,099,768	180,191	7,279,959

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2005

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
	\$	\$	\$	\$	\$
Assets					
Cash and pooled investments	1,257,226	57,129	194,468	680,822	2,189,645
Receivables:					
Property tax:					
Current year	30,108	7,271	-	1,926	39,305
Succeeding year	1,905,500	480,728	-	208,050	2,594,278
Income surtax	118,000	-	-	-	118,000
Due from other governments	157,111	-	31,421	-	188,532
Other receivables	190,053	-	-	-	190,053
Total assets	<u>3,657,998</u>	<u>545,128</u>	<u>225,889</u>	<u>890,798</u>	<u>5,319,813</u>
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	343,230	-	-	46,496	389,726
Accrued salary and benefits	42,366	-	-	-	42,366
Deferred revenue:					
Succeeding year property tax	1,905,500	480,728	-	208,050	2,594,278
Income surtax	118,000	-	-	-	118,000
Total liabilities	<u>2,409,096</u>	<u>480,728</u>	<u>-</u>	<u>254,546</u>	<u>3,144,370</u>
Fund balances:					
Reserved for debt services	-	64,400	-	-	64,400
Reserved for capital projects	-	-	225,889	-	225,889
Unreserved	1,248,902	-	-	636,252	1,885,154
Total fund balances	<u>1,248,902</u>	<u>64,400</u>	<u>225,889</u>	<u>636,252</u>	<u>2,175,443</u>
Total liabilities and fund balances	<u>3,657,998</u>	<u>545,128</u>	<u>225,889</u>	<u>890,798</u>	<u>5,319,813</u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2005

Total fund balances of governmental funds (Exhibit C)		\$ 2,175,443
Amounts reported for governmental activities in the statement of net assets are different because:		
Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.		118,000
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.		8,807,177
Accrued interest payable on long-term liabilities is not due and payable in the current period and , therefore, is not reported as a liability in the governmental funds.		(35,852)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
General obligation bonds payable	\$ (3,150,000)	
Revenue bonds payable	<u>(815,000)</u>	<u>(3,965,000)</u>
Net assets of governmental activities (Exhibit A)		<u><u>\$ 7,099,768</u></u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Revenues:					
Local sources:					
Local tax	2,112,646	481,629	411,970	127,410	3,133,655
Tuition	1,211,801	-	-	-	1,211,801
Other	196,048	14,542	17,718	242,182	470,490
State sources	3,973,263	485	-	128	3,973,876
Federal sources	487,546	-	-	-	487,546
Total revenues	<u>7,981,304</u>	<u>496,656</u>	<u>429,688</u>	<u>369,720</u>	<u>9,277,368</u>
Expenditures:					
Instruction:					
Regular instruction	3,664,331	-	-	78,325	3,742,656
Special instruction	1,613,430	-	-	-	1,613,430
Other instruction	473,798	-	-	231,319	705,117
	<u>5,751,559</u>	<u>-</u>	<u>-</u>	<u>309,644</u>	<u>6,061,203</u>
Support services:					
Student services	314,785	-	-	-	314,785
Instructional staff services	61,141	-	-	-	61,141
Administration services	718,803	-	-	3,221	722,024
Operation and maintenance of plant services	673,497	-	-	44,056	717,553
Transportation services	219,966	-	-	13,447	233,413
	<u>1,988,192</u>	<u>-</u>	<u>-</u>	<u>60,724</u>	<u>2,048,916</u>
Other expenditures:					
Long-term debt:					
Principal	-	350,000	-	-	350,000
Interest	-	268,483	-	-	268,483
Services	-	38,004	-	-	38,004
Facilities acquisition and construction	-	-	167,716	255,698	423,414
AEA flowthrough	269,609	-	-	-	269,609
	<u>269,609</u>	<u>656,487</u>	<u>167,716</u>	<u>255,698</u>	<u>1,349,510</u>
Total expenditures	<u>8,009,360</u>	<u>656,487</u>	<u>167,716</u>	<u>626,066</u>	<u>9,459,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(28,056)</u>	<u>(159,831)</u>	<u>261,972</u>	<u>(256,346)</u>	<u>(182,261)</u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund

Year ended June 30, 2005

	General	Debt Service	Capital Projects	Non-major Special Revenue	Total
	\$	\$	\$	\$	\$
Other financing sources (uses):					
Proceeds from debt refinancing	-	3,150,000	-	-	3,150,000
Bonds called prior to maturity	-	(3,940,000)	-	-	(3,940,000)
Operating transfers in	-	965,535	-	-	965,535
Operating transfers out	-	-	(965,535)	-	(965,535)
	-	175,535	(965,535)	-	(790,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(28,056)	15,704	(703,563)	(256,346)	(972,261)
Fund balances beginning of year	1,276,958	48,696	929,452	892,598	3,147,704
Fund balances end of year	1,248,902	64,400	225,889	636,252	2,175,443

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2005

Net change in fund balances - total governmental funds (Exhibit E) \$ (972,261)

**Amounts reported for governmental activities in the
statement of activities are different because:**

Income surtax receivable at June 30, 2005 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities. 118,000

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 576,068	
Depreciation expense	<u>(455,909)</u>	120,159

Undepreciated cost of items discarded are not shown as expenditures in the governmental funds. However, the undepreciated costs are shown as an expense in the Statement of Activities. (92,941)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (13,478)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(3,150,000)	
Repaid	<u>4,290,000</u>	<u>1,140,000</u>

Change in net assets of governmental activities (Exhibit B) \$ 299,479

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets
Proprietary Funds

June 30, 2005

	School Nutrition	Cardinals Kids Zone	Total
	\$	\$	
Assets			
Cash and pooled investments	122,071	16,682	138,753
Inventories	18,891	-	18,891
Capital assets, net of accumulated depreciation	42,073	-	42,073
Total assets	<u>183,035</u>	<u>16,682</u>	<u>199,717</u>
Liabilities			
Accrued salary and benefits	<u>19,526</u>	<u>-</u>	<u>19,526</u>
Net assets			
Invested in capital assets, net of related debt	42,073	-	42,073
Unrestricted	<u>121,436</u>	<u>16,682</u>	<u>138,118</u>
Total net assets	<u><u>163,509</u></u>	<u><u>16,682</u></u>	<u><u>180,191</u></u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds

Year ended June 30, 2005

	School Nutrition \$	Cardinals Kids Zone	Total
Operating revenue:			
Local sources:			
Charges for services	218,716	2,338	221,054
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	82,756	-	82,756
Benefits	53,059	-	53,059
Services	42,654	-	42,654
Supplies	214,010	-	214,010
Property	2,379	-	2,379
Other	413	-	413
Depreciation	9,901	-	9,901
	405,172	-	405,172
Other enterprise operations:			
Supplies	-	2,338	2,338
Total operating expenses	405,172	2,338	407,510
Operating (loss)	(186,456)	-	(186,456)
Non-operating revenues:			
Interest on investments	1,055	-	1,055
Contributions	-	706	706
State sources	6,371	-	6,371
Federal sources	201,385	-	201,385
	208,811	706	209,517
Change in net assets	22,355	706	23,061
Net assets beginning of year	141,154	15,976	157,130
Net assets end of year	163,509	16,682	180,191

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2005

	School Nutrition	Cardinals Kids Zone	Total
	\$	\$	\$
Cash flows from operating activities:			
Cash received from sale of services	218,716	2,338	221,054
Cash payments to employees for services	(136,129)	-	(136,129)
Cash payments to suppliers for goods or services	(239,449)	(2,338)	(241,787)
Net cash provided by (used in) operating activities	(156,862)	-	(156,862)
Cash flows from non-capital financing activities:			
State grants received	6,371	-	6,371
Federal grants received	177,474	-	177,474
Contributions	-	706	706
Net cash provided by non-capital financing activities	183,845	706	184,551
Cash flows from capital financing activities:			
Acquisition of fixed assets	(5,000)	-	(5,000)
Cash flows from investing activities:			
Interest on investments	1,055	-	1,055
Net increase in cash and cash equivalents	23,038	706	23,744
Cash and cash equivalents beginning of year	99,033	15,976	115,009
Cash and cash equivalents end of year	122,071	16,682	138,753
Reconciliation of operating income (loss) to net cash used in operating activities:			
Operating income (loss)	(186,456)	-	(186,456)
Adjustments to reconcile operating profit (loss) to net cash provided by (used in) operating activities:			
Depreciation	9,901	-	9,901
Commodities used	23,911	-	23,911
(Increase) in inventory	(3,904)	-	(3,904)
(Decrease) in accrued payroll and benefits	(314)	-	(314)
	(156,862)	-	(156,862)
Reconciliation of cash and cash equivalents at year end to specific assets included on Combined Balance Sheet:			
Current assets:			
Cash	122,071	16,682	138,753

Non-cash investing, capital and financing activities:

During the year ended June 30, 2005, the District received federal commodities valued at \$23,911.

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2005

	Private Purpose Trusts	Agency
	\$	\$
Assets		
Cash and pooled investments	21,266	17,459
Liabilities		
Other payables	-	17,459
Net Assets		
Reserved for special purposes	21,266	-

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2005

	Private Purpose Trust
	<u>\$</u>
Additions:	
Local sources:	
Interest on investments	12
Contributions	<u>19,306</u>
Total additions	<u>19,318</u>
Deductions:	
Support services:	
Other	<u>4,631</u>
Total deductions	<u>4,631</u>
Change in net assets	14,687
Net assets beginning of year	<u>6,579</u>
Net assets end of year	<u><u>21,266</u></u>

See notes to financial statements.

CLARINDA COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Clarinda Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Clarinda, Iowa, and agricultural territory in Page County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Clarinda Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Clarinda Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Page County Assessor's Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management that can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Community Education Funds. These funds are used to account for the food service and community wide education operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent of individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statement of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2004.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Property, furniture and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2005. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, expenditures did not exceed the amounts budgeted in any of the four functions.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2005 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public fund.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2004, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$1,259,666</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk - The District's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the District.

Credit risk - The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
	\$	\$	\$	\$
Governmental activities:				
Capital assets not being depreciated:				
Land	<u>115,863</u>	<u>-</u>	<u>-</u>	<u>115,863</u>
Capital assets being depreciated:				
Land Improvements	889,887	329,330	-	1,219,217
Buildings	10,955,006	161,718	-	11,116,724
Furniture and Equipment	<u>1,063,891</u>	<u>85,020</u>	<u>108,431</u>	<u>1,040,480</u>
Total capital assets being depreciated	<u>12,908,784</u>	<u>576,068</u>	<u>108,431</u>	<u>13,376,421</u>
Less accumulated depreciation for:				
Land Improvements	185,919	60,962	-	246,881
Buildings	3,622,754	237,177	-	3,859,931
Furniture and Equipment	<u>436,015</u>	<u>157,770</u>	<u>15,490</u>	<u>578,295</u>
Total accumulated depreciation	<u>4,244,688</u>	<u>455,909</u>	<u>15,490</u>	<u>4,685,107</u>
Total capital assets being depreciated, net	<u>8,664,096</u>	<u>120,159</u>	<u>92,941</u>	<u>8,691,314</u>
Governmental activities, capital assets, net	<u>8,779,959</u>	<u>120,159</u>	<u>92,941</u>	<u>8,807,177</u>
Business type activities:				
Furniture and equipment	97,561	5,000	4,583	97,978
Less accumulated depreciation	<u>50,587</u>	<u>9,901</u>	<u>4,583</u>	<u>55,905</u>
Business type activities capital assets, net	<u>46,974</u>	<u>(4,901)</u>	<u>-</u>	<u>42,073</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				130,835
Unallocated				<u>325,074</u>
				<u>455,909</u>
Business Type activities:				
Food service operations				<u>9,901</u>

(4) General Obligation Bonds Payable

During the year ending June 30, 2005, the District refinanced its general obligation bond issue. All of the existing bonds were either due or callable on June 1, 2005. The District paid the called bonds of \$3,940,000 with a new issue of \$3,150,000 and \$790,000 of funds from the School Infrastructure Local Option Sales and Services Tax collections.

Details of the District's June 30, 2005 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	3.375%	\$130,028	350,000	480,028
2007	3.375	99,640	385,000	484,640
2008	3.375	86,646	395,000	481,646
2009	3.400	73,315	410,000	483,315
2010	3.550	59,375	425,000	484,375
2011	3.650	44,288	440,000	484,288
2012	3.750	28,227	455,000	483,227
2013	3.850	11,165	290,000	301,165
Total		<u>\$532,684</u>	<u>3,150,000</u>	<u>3,682,684</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	<u>General Obligation Bonds</u>	<u>Revenue Bonds</u>	<u>Total</u>
Balance beginning of year	\$4,195,000	910,000	5,105,000
Additions	3,150,000	-	3,150,000
Reductions	<u>4,195,000</u>	<u>95,000</u>	<u>4,290,000</u>
Balance end of year	<u>\$3,150,000</u>	<u>815,000</u>	<u>3,965,000</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$251,231, \$243,963, and \$243,746 respectively, equal to the required contributions for each year.

(7) Risk Management

Clarinda Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The District pays the deductible on the employee health insurance. The District is self-insuring the costs of the increase in deductible. The maximum liability for the District in the coming year is estimated to be \$54,723.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$269,609 for year ended June 30, 2005 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Revenue Bonds Payable

Details of the District's June 30, 2005 School Infrastructure Sales and Services Tax Revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006	4.40%	\$ 35,845	100,000	135,845
2007	4.40	31,225	110,000	141,225
2008	4.70	26,103	115,000	141,103
2009	4.70	20,580	120,000	140,580
2010	4.80	14,640	130,000	144,640
2011	4.80	<u>5,760</u>	<u>240,000</u>	<u>245,760</u>
Total		<u>\$134,153</u>	<u>815,000</u>	<u>949,153</u>

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2005 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$965,535</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Required Supplementary Information

CLARINDA COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2005

	Governmental Fund Types	Proprietary Fund Type	Total	Budgeted Amounts		Final to Actual Variance - Positive (Negative)
	Actual	Actual	Actual	Original	Final	
	\$	\$	\$	\$	\$	\$
Revenues						
Local sources	4,815,946	222,815	5,038,761	4,941,567	4,941,567	97,194
State sources	3,973,876	6,371	3,980,247	4,000,795	4,000,795	(20,548)
Federal sources	487,546	201,385	688,931	583,000	583,000	105,931
Total revenues	9,277,368	430,571	9,707,939	9,525,362	9,525,362	182,577
Expenditures						
Instruction	6,061,203	-	6,061,203	6,241,231	6,241,231	180,028
Support services	2,048,916	-	2,048,916	2,644,972	2,644,972	596,056
Non-instructional programs	-	407,510	407,510	525,779	525,779	118,269
Other expenditures	1,349,510	-	1,349,510	1,708,663	1,735,000	385,490
Total expenditures	9,459,629	407,510	9,867,139	11,120,645	11,146,982	1,279,843
Excess of revenues over expenditures	(182,261)	23,061	(159,200)	(1,595,283)	(1,621,620)	1,462,420
Other financing sources (uses)	(790,000)	-	(790,000)	-	-	(790,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(972,261)	23,061	(949,200)	(1,595,283)	(1,621,620)	672,420
Balance beginning of year	3,147,704	157,130	3,304,834	2,627,244	2,627,244	677,590
Balance end of year	2,175,443	180,191	2,355,634	1,031,961	1,005,624	1,350,010

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2005

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$26,337.

During the year ended June 30, 2005, expenditures did not exceed the amounts budgeted in any of the functions. The District did not exceed the General Fund unspent authorized budget.

Other Supplementary Information

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Non-major Special Revenue Funds

June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Assets				
Cash and pooled investments	184,384	134,640	361,798	680,822
Property tax receivable:				
Current year	1,055	-	871	1,926
Succeeding year	150,000	-	58,050	208,050
Other receivables	-	-	-	-
Total assets	<u>335,439</u>	<u>134,640</u>	<u>420,719</u>	<u>890,798</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	46,496	-	-	46,496
Deferred revenue:				
Succeeding year property tax	150,000	-	58,050	208,050
	<u>196,496</u>	<u>-</u>	<u>58,050</u>	<u>254,546</u>
Fund equity:				
Unreserved, undesignated fund balance	<u>138,943</u>	<u>134,640</u>	<u>362,669</u>	<u>636,252</u>
Total liabilities and fund equity	<u>288,943</u>	<u>134,640</u>	<u>420,719</u>	<u>844,302</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Non-major Special Revenue Funds

Year ended June 30, 2005

	Management	Student	Physical Plant and Equipment Levy	Total
	\$	\$	\$	\$
Revenues:				
Local sources:				
Local tax	69,729	-	57,681	127,410
Other	2,724	232,494	6,964	242,182
State sources	70	-	58	128
Total revenues	<u>72,523</u>	<u>232,494</u>	<u>64,703</u>	<u>369,720</u>
Expenditures:				
Instruction:				
Regular instruction	78,325	-	-	78,325
Co-curricular instruction	-	231,319	-	231,319
Support services:				
Instructional staff support	-	-	-	-
Administration	3,221	-	-	3,221
Plant operation and maintenance	44,056	-	-	44,056
Student transportation	13,447	-	-	13,447
Other expenditures:				
Facilities acquisition and construction	-	-	255,698	255,698
Total expenditures	<u>139,049</u>	<u>231,319</u>	<u>255,698</u>	<u>626,066</u>
Excess (deficiency) of revenues over (under) expenditures	(66,526)	1,175	(190,995)	(256,346)
Fund balances beginning of year	<u>205,469</u>	<u>133,465</u>	<u>553,664</u>	<u>892,598</u>
Balance end of year	<u>138,943</u>	<u>134,640</u>	<u>362,669</u>	<u>636,252</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
DISTRICT-WIDE ACCOUNTS				
Paperback Books	119	4,069	4,069	119
Field Trips	1,046	1,035	1,281	800
Athletic Booster Club	4,000	-	4,000	-
Band Booster Club	446	3,821	4,261	6
Partners in Education	953	4,988	3,012	2,929
Student Activity Interest	6,336	1,639	-	7,975
Elementary Track Program	-	831	831	-
Gate Receipts	62,051	20,924	15,720	67,255
	<u>74,951</u>	<u>37,307</u>	<u>33,174</u>	<u>79,084</u>
HIGH SCHOOL CLUBS AND ORGANIZATIONS				
Drama	1,830	-	2,491	(661)
Music Resale	(534)	1,219	1,257	(572)
Activity Tickets	7,408	7,558	7,408	7,558
Annual	5,590	2,284	3,149	4,725
Concessions	11,198	38,107	39,903	9,402
Cheerleaders	2,470	8,875	8,086	3,259
Honor Society	629	-	93	536
Student Council	1,575	1,116	2,215	476
Spanish Club	33	-	-	33
AFS Students	178	-	-	178
Thespian Club	1,291	5,345	3,037	3,599
Weightlifting Club	2,698	1,338	1,721	2,315
FFA	942	19,332	16,759	3,515
FCCLA	1,592	8,421	7,773	2,240
Activities Resale	2,223	8,222	9,291	1,154
Alternative HS Concessions	294	-	-	294
Class of 2005	846	11,414	10,784	1,476
Class of 2006	2,403	2,846	3,239	2,010
Class of 2007	807	2,617	1,450	1,974
Class of 2008	-	2,454	1,415	1,039
REACH Leadership Team	392	-	-	392
	<u>43,865</u>	<u>121,148</u>	<u>120,071</u>	<u>44,942</u>
HIGH SCHOOL ATHLETICS				
Cross Country	(155)	1,555	865	535
Golf	830	170	1,110	(110)
Boys Basketball	1,308	1,692	3,008	(8)
Football	3,655	4,345	6,920	1,080
Baseball	(401)	3,901	3,596	(96)

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2005

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
	\$	\$	\$	\$
HIGH SCHOOL ATHLETICS (continued)				
Boys Track	749	2,251	2,393	607
Boys Tennis	306	194	160	340
Wrestling	1,469	1,531	3,322	(322)
Girls Basketball	(231)	3,231	2,197	803
Volleyball	964	1,536	2,926	(426)
Softball	134	2,866	2,986	14
Girls Track	927	2,073	2,662	338
Girls Tennis	306	194	235	265
Athletic Director	(3,381)	23,394	22,133	(2,120)
	<u>6,480</u>	<u>48,933</u>	<u>54,513</u>	<u>900</u>
MIDDLE SCHOOL CLUBS AND ORGANIZATIONS				
Activity Tickets	4,612	4,225	4,612	4,225
Teachers	20	-	-	20
Science Fair	591	302	242	651
Music Resale	(809)	2,282	1,927	(454)
Yearbook	465	1,429	1,695	199
Student Council	658	4,576	5,058	176
Fiesta Bowl	42	-	-	42
Kirsch Vocational Fundraising	228	-	-	228
Activities Resale	343	5,294	5,340	297
IAMLE Conference	275	-	-	275
	<u>6,425</u>	<u>18,108</u>	<u>18,874</u>	<u>5,659</u>
MIDDLE SCHOOL ATHLETICS				
Track	116	-	211	(95)
Boys Basketball	(77)	1,277	958	242
Football	299	2,201	1,233	1,267
Wrestling	9	741	342	408
Girls Basketball	(140)	1,340	1,298	(98)
Volleyball	347	653	405	595
	<u>554</u>	<u>6,212</u>	<u>4,447</u>	<u>2,319</u>
ELEMENTARY SCHOOL ORGANIZATIONS				
Teachers	1,002	786	240	1,548
Jump Rope For Heart	188	-	-	188
	<u>1,190</u>	<u>786</u>	<u>240</u>	<u>1,736</u>
Grand total	<u>133,465</u>	<u>232,494</u>	<u>231,319</u>	<u>134,640</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2005

	Y-Teen Scholarship	Evelyn Warren Memorial	Dorothy Miller Memorial	High School Scholarship Fund	Port Stitt Estate	Bossingham Foundation
	\$	\$	\$	\$	\$	\$
Assets						
Cash and pooled investments	3,132	72	1	15,488	73	918
	<u>3,132</u>	<u>72</u>	<u>1</u>	<u>15,488</u>	<u>73</u>	<u>918</u>
Net Assets						
Reserved for scholarships	3,132	72	1	15,488	73	918
	<u>3,132</u>	<u>72</u>	<u>1</u>	<u>15,488</u>	<u>73</u>	<u>918</u>

CLARINDA COMMUNITY SCHOOL DISTRICT
Combining Statement of Fiduciary Net Assets
Private Purpose Trust Funds

June 30, 2005

	<u>P. Mascher Memorial Scholarship</u>	<u>Spinler Memorial Scholarship</u>	<u>Sperry Scholarship</u>	<u>Total</u>
	\$	\$	\$	\$
Assets				
Cash and pooled investments	<u>629</u>	<u>503</u>	<u>450</u>	<u>21,266</u>
	<u>629</u>	<u>503</u>	<u>450</u>	<u>21,266</u>
Net Assets				
Reserved for scholarships	<u>629</u>	<u>503</u>	<u>450</u>	<u>21,266</u>
	<u>629</u>	<u>503</u>	<u>450</u>	<u>21,266</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2005

	Y-Teen Scholarship	Evelyn Warren Memorial	Dorothy Miller Memorial	High School Scholarship Fund	Port Stitt Estate	Bossingham Foundation
	\$	\$	\$	\$	\$	\$
Additions:						
Local sources:						
Interest on investments	12	-	-	-	-	-
Contributions	-	200	-	16,606	-	2,500
	<u>12</u>	<u>200</u>	<u>-</u>	<u>16,606</u>	<u>-</u>	<u>2,500</u>
Reductions:						
Instruction:						
Regular instruction:						
Supplies	-	-	-	-	-	2,031
Other	300	200	-	2,100	-	-
	<u>300</u>	<u>200</u>	<u>-</u>	<u>2,100</u>	<u>-</u>	<u>2,031</u>
Change in net assets	(288)	-	-	14,506	-	469
Net assets beginning of year	<u>3,420</u>	<u>72</u>	<u>1</u>	<u>982</u>	<u>73</u>	<u>449</u>
Net assets end of year	<u><u>3,132</u></u>	<u><u>72</u></u>	<u><u>1</u></u>	<u><u>15,488</u></u>	<u><u>73</u></u>	<u><u>918</u></u>

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2005

	P. Mascher Memorial Scholarship	Spinler Memorial Scholarship	Sperry Scholarship	Total
	\$	\$	\$	\$
Additions:				
Local sources:				
Interest on investments	-	-	-	12
Contributions	-	-	-	19,306
	-	-	-	19,318
Reductions:				
Instruction:				
Regular instruction:				
Supplies	-	-	-	2,031
Other	-	-	-	2,600
	-	-	-	4,631
Change in net assets	-	-	-	14,687
Net assets beginning of year	629	503	450	6,579
Net assets end of year	629	503	450	21,266

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Agency Funds

June 30, 2005

	Nurse's Fund	American Field Service	Swanson Loan	Wrestling Facility	Press Box Renovations	Ed Butler Youth Fund	Pamida Foundation Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Assets								
Cash and pooled investments	<u>6,488</u>	<u>572</u>	<u>569</u>	<u>393</u>	<u>4,230</u>	<u>1,036</u>	<u>4,171</u>	<u>17,459</u>
	<u>6,488</u>	<u>572</u>	<u>569</u>	<u>393</u>	<u>4,230</u>	<u>1,036</u>	<u>4,171</u>	<u>17,459</u>
Liabilities								
Other payables	<u>6,488</u>	<u>572</u>	<u>569</u>	<u>393</u>	<u>4,230</u>	<u>1,036</u>	<u>4,171</u>	<u>17,459</u>
	<u>6,488</u>	<u>572</u>	<u>569</u>	<u>393</u>	<u>4,230</u>	<u>1,036</u>	<u>4,171</u>	<u>17,459</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds

June 30, 2005

	Nurse's Fund	American Field Service	Swanson Loan	Wrestling Facility	Press Box Renovations	Ed Butler Youth Fund	Pamida Foundation Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance beginning of year	<u>6,250</u>	<u>572</u>	<u>569</u>	<u>393</u>	<u>4,166</u>	<u>1,246</u>	<u>4,171</u>	<u>17,367</u>
Additions:								
Contributions	<u>520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251</u>	<u>600</u>	<u>-</u>	<u>1,371</u>
Deductions:								
Miscellaneous	<u>282</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>187</u>	<u>810</u>	<u>-</u>	<u>1,279</u>
Balance end of year	<u><u>6,488</u></u>	<u><u>572</u></u>	<u><u>569</u></u>	<u><u>393</u></u>	<u><u>4,230</u></u>	<u><u>1,036</u></u>	<u><u>4,171</u></u>	<u><u>17,459</u></u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Comparison of Taxes and Intergovernmental Revenues

	Years ended June 30,			
	2005	2004	2003	2002
Local sources:				
General	2,112,646	2,213,266	2,210,353	1,979,056
Special revenue/debt service	609,039	586,459	553,837	576,246
Capital projects	411,970	470,369	360,800	341,356
	<u>3,133,655</u>	<u>3,270,094</u>	<u>3,124,990</u>	<u>2,896,658</u>
State sources:				
General	3,973,263	3,752,207	3,764,641	3,942,793
Special revenue/debt service	613	6,620	-	-
School nutrition	6,371	6,188	5,951	5,894
	<u>3,980,247</u>	<u>3,765,015</u>	<u>3,770,592</u>	<u>3,948,687</u>
Federal sources:				
General	487,546	410,945	428,235	381,556
Special revenue/debt service	-	19,104	-	-
School nutrition	201,385	190,127	167,279	154,442
	<u>688,931</u>	<u>601,072</u>	<u>595,514</u>	<u>535,998</u>
Total	<u>7,802,833</u>	<u>7,636,181</u>	<u>7,491,096</u>	<u>7,381,343</u>

See accompanying independent auditor's report.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2005

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u> \$
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution	10.550	FY05	<u>23,911</u>
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY05	35,104
National School Lunch Program	10.555	FY05	<u>142,370</u>
			<u>177,474</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1197-G-05	114,517
Title I Grants to Local Educational Agencies	85.010	1197-GC-05	10,872
Title I Grants to Local Educational Agencies	84.010	1197-D-05	<u>230,154</u>
			<u>355,543</u>
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY05	5,274
Innovative Education Program Strategies	84.298	FY05	6,166
Grants for Assessments and Related Activities	84.369	FY05	6,873
Improving Teacher Quality - States Grants	84.367	FY05	7,047
Iowa Western Community College			
Vocational Education - Basic Grants to States	84.048	FY05	12,173
Loess Hills Area Education Agency 13			
Special Education - Grants to States	84.027	FY05	<u>52,226</u>
Total			<u><u>646,687</u></u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Clarinda Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control over Financial
Reporting and on Compliance and Other Matters**

**Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

To the Board of Education of the
Clarinda Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Clarinda Community School District as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated August 31, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clarinda Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item 05-II-A is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clarinda Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of compliance or other matters that are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Clarinda Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BRUCE D. FRINK
Certified Public Accountant

August 31, 2005

**Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control
over Compliance in Accordance with OMB Circular A-133**

To the Board of Education of the
Clarinda Community School District:

Compliance

We have audited the compliance of Clarinda Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Clarinda Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants agreements applicable to each of its major federal programs is the responsibility of Clarinda Community School District's management. Our responsibility is to express an opinion on Clarinda Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Clarinda Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clarinda Community School District's compliance with those requirements.

In our opinion Clarinda Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Clarinda Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Clarinda Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Clarinda Community School District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item 05-III-A of the accompanying Schedule of Findings and Questions Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item 05-III-A is a material weakness.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Clarinda Community School District and other parties to whom Clarinda Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

BRUCE D. FRINK
Certified Public Accountant

August 31, 2005

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A reportable condition in internal control over major programs was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The District's major program was as follows:
 - CFDA Number 84.010 - Title I Grants to Local Education Agencies
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Clarinda Community School District did not qualify as a low-risk auditee.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part II: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

05-II-A SEGREGATION OF DUTIES

Comment - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

CFDA Number: 84.101 Title I Grants to Local Education Agencies

Agency Number: 1197-G-05, 1197-GC-05, 1197-D-05

Federal Award Year: 2005

US Department of Education

Passed through Iowa Department of Education

05-III-A Segregation of Duties over Federal Funds - The District did not properly segregate custody, record-keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

CLARINDA COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2005

Part IV: Other Findings Related to Required Statutory Reporting:

- 05-IV-A Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2005.
- 05-IV-B Certified Budget - Expenditures for the year ended June 30, 2005, did not exceed the certified budgeted amounts.
- 05-IV-C Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 05-IV-D Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- 05-IV-E Business Transactions - No business transactions between the District and District officials or employees were noted.
- 05-IV-F Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- 05-IV-G Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- 05-IV-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- 05-IV-I Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- 05-IV-J Certified Enrollment - We noted no variances in the basic enrollment data certified to the Department of Education.